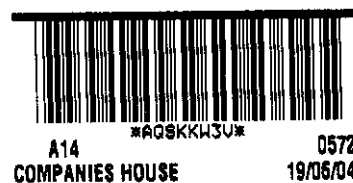


Derwent Developments Limited
Annual report
for the year ended 30 September 2003

Registered Number 1899218



Derwent Developments Limited

Annual report

for the year ended 30 September 2003

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Derwent Developments Limited

Directors and advisors for the year ended 30 September 2003

Directors

R H Dickinson

R J Dickinson

S Dickinson

A R Cunningham

A D James

Secretary and registered office

M L Glanville

Citygate

St James' Boulevard

Newcastle upon Tyne

NE1 4JE

Independent auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

Solicitors

Dickinson Dees

St Ann's Wharf

112 Quayside

Newcastle upon Tyne

NE99 1SB

Bankers

Barclays Bank Plc

Barclays House

71 Grey Street

Newcastle upon Tyne

NE99 1JP

Derwent Developments Limited

Directors' report for the year ended 30 September 2003

The directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activities and review of business

The principal activity of the company is that of property trading and land development.

The directors consider the level of the company's activities to be satisfactory and expect it to continue to be so in future years.

Results

The results for the year are set out on page 5.

Dividends

The directors do not recommend the payment of a dividend (2002: £Nil).

Directors and directors' interests

The directors who served during the year and to the date of this report, unless otherwise stated were:

R H Dickinson (Chairman)

R J Dickinson

S Dickinson

A R Cunningham

A D James

The directors have no beneficial interest in the share capital of the company. The beneficial interests of Mr R H Dickinson, Mr R J Dickinson Mr S Dickinson and Mr A R Cunningham in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Grainger Trust plc.

The beneficial interests of the other director in the shares of Grainger Trust plc were as follows:

	30 September 2003	30 September 2002
	Number	Number
A D James	9,007	8,348

Director's share options at 30 September 2003:

Ordinary shares of 25p each			
Option price	Date exercisable	Mr A D James	
		2003	2002
		Number	Number
818p	8 Aug 2007 to 8 Feb 2008	2,023	2,023

Derwent Developments Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditors to the Company. A resolution to reappoint them as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

M L Glanville
Secretary
19 March 2004



Derwent Developments Limited

Independent auditors' report to the members of Derwent Developments Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
19 March 2004

Derwent Developments Limited

Profit and loss account for the year ended 30 September 2003

	Note	2003 £	2002 £
Turnover		15,397,283	8,731,284
Gross rentals		111,578	63,837
Trading profits		9,093,615	7,008,913
Other income		155	8
		9,205,348	7,072,758
Less:			
Property expenses		(68,973)	(72,940)
Administration expenses		(1,542,571)	(813,949)
Operating profit	2	7,593,804	6,185,869
Interest receivable and similar income	3	28,228	32,232
Profit on ordinary activities before taxation		7,622,032	6,218,101
Tax on profit on ordinary activities	4	(2,286,609)	(1,865,431)
Retained profit for the financial year	9	5,335,423	4,352,670

All of the activities of the company are continuing.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

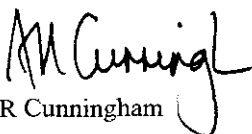
There is no difference between profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

Derwent Developments Limited

Balance sheet as at 30 September 2003

	Note	2003 £	2002 £
Current assets			
Stocks	5	5,554,938	8,574,468
Debtors	6	16,988,344	8,334,475
Cash at bank and in hand		160,719	574
		22,704,001	16,909,517
Creditors: amounts falling due within one year	7	(3,266,717)	(2,807,656)
Net current assets		19,437,284	14,101,861
Capital and reserves			
Called up equity share capital	8	10,000	10,000
Profit and loss account	9	19,427,284	14,091,861
Equity shareholders' funds	10	19,437,284	14,101,861

The financial statements on pages 5 to 11 were approved by the board of directors on 19 March 2004 and were signed on its behalf by:


A R Cunningham
Director

Derwent Developments Limited

Statement of accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, is set out below.

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985.

Cash flow

The company is a wholly owned subsidiary of Grainger Trust plc and the cash flows of the company is included in the consolidated cash flow statement of Grainger Trust plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cash flow statement.

Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income.

Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding undertaking.

Stocks

Trading properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during acquisition together with improvement costs. Net realisable value is the net sale proceeds which the company expects on sale of a property with vacant possession.

Repairs and improvements

Repairs are expensed in the profit and loss account as incurred. Improvement costs are capitalised.

Deferred taxation

Deferred taxation is recognised on all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

Derwent Developments Limited

Notes to the financial statements for the year ended 30 September 2003

1 Segmental reporting

All of the activities of the company fall into the principal activities as stated within the directors' report. The activities arise solely in the United Kingdom.

2 Operating profit

There are no persons holding service contracts with Derwent Developments Limited.

None of the directors received any remuneration from the company during the year, or in the previous year.

The audit fee has been included in the overall audit fee for the Grainger Trust group, which has been paid for by Grainger Trust plc.

3 Interest receivable and similar income

	2003	2002
	£	£
Interest receivable	28,228	32,232

4 Tax on profit on ordinary activities

	2003	2002
	£	£
Analysis of charge in year		
Current tax:		
UK corporation tax on profits for the period	2,286,609	1,865,431
Tax charge	2,286,609	1,865,431

Derwent Developments Limited

4 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the year

The differences between the tax assessed for the period and the standard rate of corporation tax in the UK (30%) are explained below:

	2003	2002
	£	£
Profit on ordinary activities before taxation	7,622,032	6,218,101
Profit on ordinary activities before tax at a rate of 30%	2,286,609	1,865,431
Total current tax	2,286,609	1,865,431

There are no factors that are expected to significantly affect the taxation charge in future periods.

5 Stocks

	2003	2002
	£	£
Development land	5,554,938	8,574,468

6 Debtors

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	48,589	176,627
Amounts owed by group undertakings	16,939,755	8,157,848
	16,988,344	8,334,475

Derwent Developments Limited

7 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	61,224	103,342
Corporation tax payable	1,493,337	914,415
Other tax and social security	1,464,834	1,139,649
Accruals and deferred income	247,322	650,250
	3,266,717	2,807,656

8 Called up equity share capital

	2003	2002
	£	£
Authorised, allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10,000	10,000

9 Reserves

	Profit and loss account
	£
At 1 October 2002	14,091,861
Profit for the financial year	5,335,423
At 30 September 2003	19,427,284

10 Reconciliation of movements in equity shareholders' funds

	2003	2002
	£	£
Profit for the year	5,335,423	4,352,670
Opening equity shareholders' funds	14,101,861	9,749,191
Closing equity shareholders' funds	19,437,284	14,101,861

Derwent Developments Limited

11 Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No.8 and has not disclosed transactions with companies that are part of the Grainger Trust plc group.

12 Ultimate parent undertaking

The directors regard Hatch Warren 1992 Limited, a company registered in England and Wales, as the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

The directors regard Grainger Trust plc, a company registered in England and Wales, as the ultimate controlling party, being the parent undertaking of the largest group to consolidate these financial statements. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Grainger Trust plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.